- A3435-14 12/87 -

Analysis of 1983 Bank Marketing Expenditures

1984 Research Report
Advertising Department

BANK MARKETING ASSOCIATION 309 West Washington Street • Chicago, Illinois 60606

TO FINANCIAL MARKETERS:

BMA is pleased to present the "Analysis of 1983 Bank Marketing Expenditures." This study on how banks spend their marketing budgets is the only one of its kind in our industry.

In these times of deregulation, increasing competition and rapidly changing markets, the "Analysis" should be helpful to readers in developing their own marketing strategies and budgets to compete best in the marketplace.

The study is based on a sampling of the entire U.S. commercial banking industry. For comparison purposes, the data is reported in essentially the same format as last year's "Analysis," and additional data on usage of advertising agencies has been included.

We also want to express our sincere appreciation to the more than 1,200 banks nationwide which took the time and effort to complete the lengthy questionnaire early in the year. Without their participation, this study would not have been possible.

Cordially,

Raymond M. Cheseldine
Executive Vice President

BANK MARKETING ASSOCIATION
309 WEST WASHINGTON STREET CHICAGO ILL 60606

© Copyright 1984

An affiliate of
American Bankers
Association

BMA Members $60
Non-Members $70

TABLE OF CONTENTS

Analysis of 1983 Bank Marketing Expenditures

Page

How the Survey was Conducted 2

Budgeting for Bank Marketing 3

How to Use the Analysis 5

How Much is the Budget? 6

Expenditures by Expenditure Type
- Graphs of Average and Median Marketing Expenditures 7
- Average Marketing Expenditure by Expenditure Type and Asset Size — Table 1 8
- Median Marketing Expenditure by Expenditure Type and Asset Size — Table 2 9
- Percentage of Reporting Bank Budgets Spent on Each Expenditure Type by Asset Size — Table 3 10
- Graph of Prime Media by Percentage of Total Marketing Budget 11

Where the Budget is Spent 11
- Percentage of Banks Reporting Marketing Expenditures of each Type in 1983 by Asset Size — Table 4 12

Budgets by Market Size and Type 13
- Average Marketing Expenditures by Expenditure Type and Population Size — Table 5 14
- Average and Median Marketing Expenditures by Population Size and Asset Size — Table 6 15
- Average and Median Marketing Expenditures by Population Size and Market Type — Table 7 16

Budgeting for Services 17
- Percentage of Reporting Banks' Budgets Spent on Each Service by Asset Size — Table 8 18
- Graphs of Share of Expenditures by Asset Group 18
- Percentage of Reporting Banks Marketing Each Service by Asset Size — Table 9 18
- Average Marketing Expenditure by Service Type and Population Size — Table 10 19
- Average Marketing Expenditure by Service Type and Asset Size — Table 11 19
- Median Marketing Expenditure by Service Type and Asset Size — Table 12 19

Use and Compensation of Advertising Agencies 20
- Graphs of Sources of Creating Advertising 20
- Bank's Primary Source of Creating Advertising During 1983 — Table 13 21
- Primary Source for Creating Advertising by Population — Table 14 21
- Primary Source for Creating Advertising by Market Type — Table 15 21
- How Agency was Compensated for Services in 1983 — Table 16 21

1982 and 1983 Marketing Budgets 22
- Average and Median Marketing Expenditures for 1982/1983 by Asset Size — Table 17 22

Questionnaire 23

HOW THE SURVEY WAS CONDUCTED

The "Analysis" contains more than 2,000 individual statistics on how banks in the United States spend their marketing budget to sell financial services. The survey which was used to gather the data from more than 1,100 banks and the resulting tables and graphs are designed to help bankers learn more about the budgeting process in bank marketing.

How to Use

This publication is not designed to show how much your individual bank should spend for marketing or in which media. In fact, as you become familiar with the data, you will see that there is quite a diversity in the statistics based on the various factors considered in the survey — asset size, market type and population size.

You will, nevertheless, identify certain trends in these statistics which will help you confirm your beliefs about your own and competing banks' expenditures or perhaps help you refine and improve your own marketing budget.

Comparison between years

The 1983 "Analysis" is in essentialiy the same format and expenditure categories as the "1982 Analysis". In several cases, comparisons of the two years have been made here. For a more detailed study of data between the two years, you may obtain a copy of the "1982 Analysis" from BMA.

The study also was published in certain years prior to 1982, although the questionnaire in earlier years differed from 1982's and 1983's in many regards. For this reason, we discourage direct comparison of the data here with studies other than 1982's.

Several new features have been incorporated into the data this year: For the table showing total expenditures for marketing in both 1982 and 1983, the smallest and largest budgets for each asset range have been included. New graphs also have been included in the report to help illustrate certain information.

Methodology

A four-page letter/questionnaire was mailed to 8,631 banks nationwide. Banks were chosen by random 'nth' name selection from among two asset groups: Those under $100 million in assets (6,590) and those over $100 million in assets (2,041). The distinction in asset size samples was to compensate for lower response rates among community banks experienced in previous surveys.

A "Second Request" mailing was made to the same list four weeks later, and responses were cut off April 20, 1984.

A total of 1,230 questionnaires had been received at the cutoff date and of these 1,138 were usable returns. They were distributed as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	65	6%
$10 - $25	161	14
$25 - $50	226	20
$50 - $100	204	18
$100 - $250	268	23
$250 - $500	112	10
$500 - $1 billion	44	4
$1 billion - $5 billion	44	4
Over $5 billion	14	1

After the questionnaires were edited and key punched, the data was computer tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

The statistics are presented in several forms: in percentage terms, in dollar averages and in dollar medians.

The percentage computations are based on the number of respondents answering each specific question and are rounded to the nearest whole percentage.

Wherever the word "average" appears, it means the arithmetic mean. Averages for each category are based on the number of banks reporting. Since the number of banks reporting varies from category to category, the sum of the category averages usually will not be the same as the "total" averages.

The median is the middle value from a list of rank ordered values. For example, for the five values 4,000, 4,000, 4,200, 5,000 and 20,000, the median is 4,200 and the average or arithmetic mean is 7,440. There are as many banks above the median as there are below. Because the average is sensitive to extreme values (20,000 in this example) and the median is not, the median often represents a better estimate than the average.

Another feature incorporated into the data this year is the addition of "Minimum and Maximum" values for certain tables. The inclusion of this data shows the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median

Dollar figures are rounded to the nearest $100.

Marketing Planning

The development of the marketing budget is one step in the total marketing planning process. Several methods of allocating dollars for marketing purposes are in common use. These will be described briefly and assessed in terms of advantages and disadvantages. But first, a few comments on writing a marketing plan are in order to set the stage for the budgeting process.

There are important advantages to writing a thorough marketing plan. It brings organization and efficiency to both short term and long term activities of the bank. A written plan provides staff and suppliers time to prepare for and implement programs, and reduce the risk of errors or expense that accompany unplanned marketing. The plan assures that marketing activities occur in an orderly sequence, reaching the right prospects, at the right time, at the lowest expense possible.

Your written plan also is helpful from the organizational standpoint. It alerts others in the bank when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. The plan should be a written document, with input from a wide range of personnel. And, it should be considered an evolutionary document. Each plan your bank prepares is more accurate and thorough than earlier ones. For that reason, consider the plan a flexible document that changes with the marketplace.

The marketing budget is the fifth of six components of a good marketing plan. There are four other steps which should be taken first. The key steps in formulating a marketing plan are the following:

1. ***Situation Analysis:*** Where are we today? What are our strengths and weaknesses? What opportunities and/or threats are facing us?
2. ***Objectives:*** Where do we want to be tomorrow? What specific goals do we want to achieve?
3. ***Strategy:*** What are the available paths to reach our goals? What will our organizational "game plan" be?
4. ***Tactics:*** What, specifically, will we do to implement the strategy? What action plans, timetables, activities, etc.?
5. ***Budget:*** How much will it cost? How will our resources be allocated?
6. ***Evaluation:*** Is it working? How do the actual results compare to our stated objectives?

Approaches to Budgeting

Based on the planning done in the first four steps, the budgeting process can assign the costs for the marketing activities or tasks that will implement the selected strategy and achieve our goals. While advertising is usually the biggest part of the marketing budget, we should be careful not to overlook the other marketing elements: Public relations, sales promotion, sales/customer relations training and marketing research. Costs are assigned to these various functions based on their contribution to reaching our objectives. The budget, thus, becomes **the marketing plan in dollar terms.**

What has been described is called the **task/objective approach** to marketing planning and budgeting, because the budget is built by adding up the costs involved in achieving each marketing task and objective. Unlike other methods in common use, this technique makes the budget an integral part of a total plan based on an analysis of the unique needs of **your own bank.**

Another approach to budgeting is **marginal analysis.** The economic foundation for this method is that promotional expenditures should be increased until each dollar of promotional expense is matched by an additional dollar of profit, the objective being to maximize the profit contribution from marketing. Both revenue and corresponding costs that can be generated from various size budgets are estimated to assess the profit implications of each budget. This can be done by taking the previous year's budget and analyzing the projected changes in performance from higher and lower budgets. While conceptually appealing, this method is very difficult to implement in practice. The major difficulty is isolating the contribution of marketing, apart from other factors, to overall profits. It is difficult to determine how marketing efforts will affect the consumer and how this will translate into increased revenue.

Other more traditional methods use "rules of thumb" which are quicker and easier to use, but not as thorough. They may, however, be helpful to decision-makers as general guidelines. Some of the most commonly used methods include:

- ***Percentage of Assets/Deposits Method:*** Uses a predetermined percentage as the basis for the budget; such as 1/10 of one percent of assets. This method does reflect the fact that larger institutions probably can afford larger budgets. It does not, however, account for other factors that influence marketing expenditure levels such as size of market, market share, opportunities for market development and competitors. Moreover,

using current or forecasted assets/deposits as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of deposits and assets, not the other way around.

- ***Incremental Method:*** Simply tacks on a set increase over previous spending — for example, budgeting 10% more than last year. This method is an easy one to implement, often pegging the increase to the rate of inflation. The assumption, however, is made that goals and strategies closely imitate past history. If you are completely satisfied that last year's performance was so good that you only need to repeat the same or more of the same strategies and tactics, this will work. Simply "doing more of the same" may mean that programs that are no longer effective will be continued since no evaluation or justification of programs takes place. In addition, most institutions will want to adapt their plans in the face of external changes: Legislative developments, changing consumer markets, strategies of competitive organizations, etc.
- ***Competitive Parity Approach:*** Is based on matching competitors' expenditures. The actions of your competitors are allowed to dictate your budget. While that may provide the same communications "weight" as your competitors, it fails unless you are the same size **and** have the same goals. The assumption underlying this approach is that all firms in the marketplace have the same opportunities for profitable marketing. More likely, your opportunities will not be entirely the same as your competitors'. For example, a bank introducing a new product/service to compete with a competitor's already established product/service, would probably need heavier promotional effort just to create awareness among customers.
- ***Resources Available Approach:*** Whatever is left over after other functions have been budgeted and a satisfactory profit planned goes to marketing. This method relegates marketing to definitely secondary status and does not consider the role of the marketing department or the objectives of the bank. It is possible that the resulting allocation will be too small to allow marketing to be very effective. At the other extreme, more may be spent than is needed. At some point, the results of increasing the number of advertisements in the local paper, for instance, is negligible. Three ads may not be marginally more effective in creating customer awareness of a new service than would two ads. Furthermore, budgets that fluctuate radically from year to year will make long range planning and the attainment of long term objectives very difficult.

All these "rule of thumb" methods fail to allow for flexibility and do not relate expenditures to your bank's specific marketing objectives. Although a budget created by these arbitrary methods is often referred to as a "budget plan", little planning and analysis has actually taken place. Nonetheless, they are useful as decision parameters and often are used in conjunction with a more analytical procedure like the **task objective** method.

Using A Written Plan

Some final thoughts on planning and budgeting: Systematic planning can mean improved performance for your bank and lead to better coordination internally. Rather than leaving results to chance and merely reacting to events on a day to day basis, a written plan provides you with a blueprint for action and allocates resources for its implementation. Significant savings can result from developing an annual plan. When you develop your plan, keep the following in mind:

1. ***Be specific.*** Your stated objectives and performance standards should be quantified whenever possible to enable you to measure their attainment.
2. ***Allow for contingencies.*** Be prepared to cut or expand your budget to meet changing revenue, profit, cash flow requirements — or to take advantage of newly developed marketing opportunities.
3. ***Periodically review the actual results*** of your promotional effort against your plan. This should be done on at least a monthly basis. The marketing plan should be used as a yardstick to measure your progress.
4. ***Don't do either budgeting or planning in a vacuum.*** The marketing function, more than any other, touches all areas of the bank and requires cooperation from all for the best results. You will want to seek input from others throughout the bank and seek the commitment of top management as well.
5. ***Use your marketing plan.*** Use it as a guide; refer to it, review it, update it. Planning is an ongoing, dynamic process. The greatest possible mistake is to write a marketing plan and put it on the shelf until it's time to write next year's plan. A good marketing plan is threadbare long before the year is over.

Regardless of which method you use in preparing your own bank's budget, this study should be of value in comparing it to other banks' nationwide.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. Obviously, when making comparisons, it's important to be comparing similar items.

Defining terms

The items used on our questionnaire were built around generally accepted industry definitions for consistency among responding banks so that users of this publication could readily compare their expenditures in similar categories.

Nevertheless, check how your bank classifies expenditures to determine if there are any major differences in yours and these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1985 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average, 66% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but is also expensive. Cable television is a growing force in many markets. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations change formats, and audiences, regularly. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken from both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

HOW MUCH IS THE BUDGET?

The expenditures which banks made in 1983 are shown in Tables One through Four. The data is shown among five functional areas of marketing:

- Advertising
- Public relations
- Sales promotion
- Staff Sales Training
- Marketing Research

In turn, each of these five areas is further divided into more detailed items, for example, by media within Advertising.

Tables One and Two show the actual average and median expenditures for respondents in each category. Because not all respondents included detail for each line item, the averages will not necessarily sum to the bottom 'total' line.

Average budgets for respondents ranged from $13,200 for community banks (defined as those under $100 million in assets) to more than $3,869,100 for the largest banks (those over $5 billion in assets).

As pointed out earlier, the averages can be affected by extreme values. For that reason, you may want to consider the mean figures, also, (Table 2 in your comparisons) to learn what a typical bank spends.

The median budgets range from $6,000 for community banks to $3,552,600 for larger banks. For further data and comparisons on the 'total' marketing budgets for both 1982 and 1983, see Table 17.

Percentage allocations

You may find it useful to compare the allocation of your bank's expenditures with other banks' budgets. This data, expressed in percentages, indicates which media and marketing functions banks are emphasizing.

Of the five major marketing functions, Advertising accounts for the largest percentage (57% to 76%) in all asset ranges of banks. In fact, the larger the bank, the larger the percentage it allocates to advertising, based on the 1983 data. Even though advertising already accounted for the highest percentage of the budget in 1982, it still showed increases in each of the nine asset ranges in 1983.

In 1982, the nine categories showed an average allocation of 62% of the marketing budget to Advertising. In 1983, the allocation increased to more than 66%.

Within advertising, newspapers still account for the largest expenditures in all asset ranges. In community banks, the percentage of budget allocated to newspapers is about the same as in larger banks . . . about 15% to 19%

Newspaper expenditures not only account for the largest share of the advertising budget but also generally rival the total expenditures on Public Relations and clearly exceed all other marketing categories.

Other media

The next largest common expenditure for banks is either radio or television, depending on asset size. In the banks under $500 million in assets, radio generally accounts for 11% or 12% of budget, versus about 9% in the largest banks. On the other hand, television expenditures are directly correlated to asset size and range from 2% for community banks up to 17% for larger banks.

More direct mail

Direct mail appears to be increasing as a percentage of the total budget. It accounted for an average in all banks of 5.1% in 1982 and 6.3% in 1983, with the heaviest usage in larger banks (up to 11% of budgets).

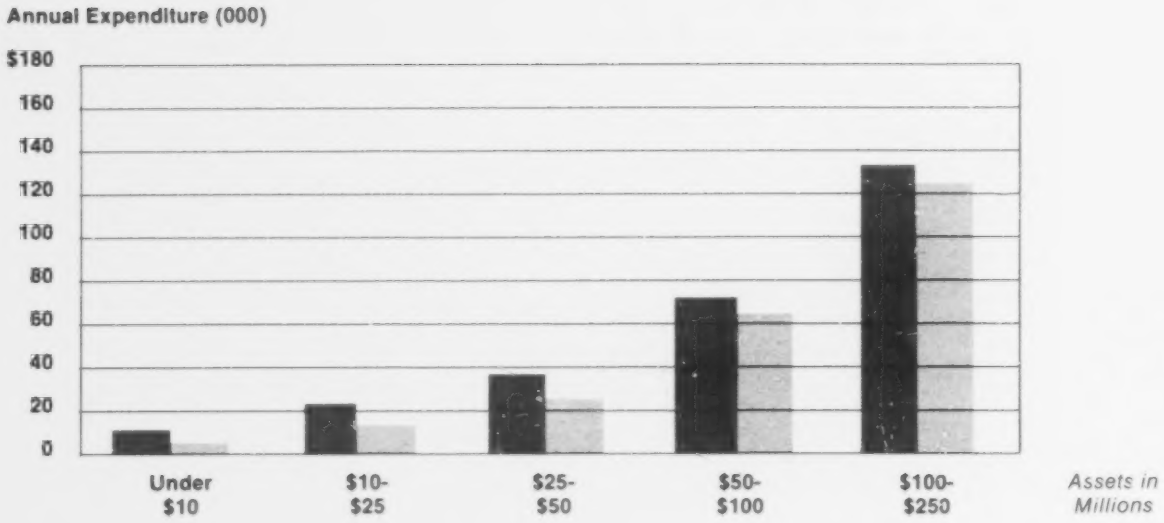
Overall, Public Relations maintained about the same percentage of the budgets as in 1982, averaging about 17% in both 1982 and 1983. Community banks use a larger allocation for donation advertising (9% to 18%) than larger banks (2% to 7%).

Within Sales Promotion, community banks spend larger percentages on specialties (giveaways) at 6% or 7% than do larger banks at 1% to 3%.

As a percentage of the marketing budget, Sales Training and Research still receive the least money, averaging about 2% for Training and about 2.5% for Research. The percentage of budget spent on Research increases as the size of bank increases (2% for community banks versus 3% or 4% for larger banks).

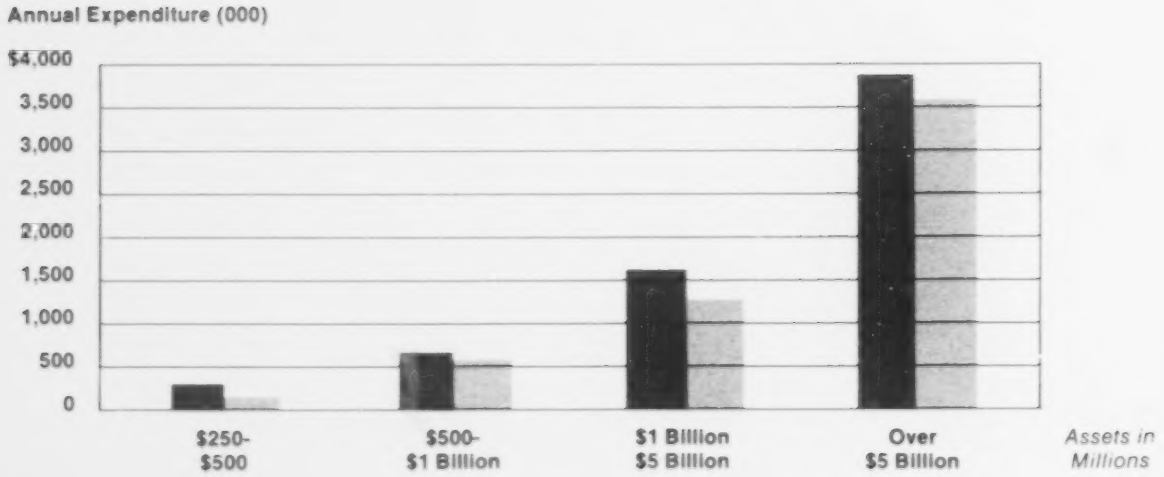
AVERAGE AND MEDIAN MARKETING EXPENDITURES

The two graphs below show the total average and the median expenditures by asset size as taken from Tables One and Two.



Average

Median



Average

Median

TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1983, $000)

Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ 5	$ 14	$ 20	$ 40	$ 50	$ 115	$ 203	$ 577	$ 1559
Directories (telephone, bank, city, etc.)	8	11	17	24	38	63	115	276	390
Newspapers	26	45	74	121	251	471	1012	2585	7335
Television	32	43	78	75	165	460	1078	3358	6620
Radio	21	40	58	110	177	380	549	1577	2741
Direct Mail (literature, lists, postage, statement stuffers, etc.)	11	22	37	94	71	180	495	1163	4108
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	29	39	37	63	109	216	303	582	1348
Production Expenses (artwork, talent, etc.)	59	19	33	70	134	291	667	1594	3142
Fees & Commissions (agency, consultants, etc.)	41	40	45	75	117	224	344	727	2131
Other Advertising	33	40	63	111	112	215	356	1225	3691
Sub-Total for Advertising	**8.3**	**12.2**	**22.3**	**46.3**	**90.1**	**210.0**	**421.3**	**1203.4**	**2943.4**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	6	16	19	29	61	169	297	684	1747
Media Relations (press releases, press conferences, etc.)	3	6	8	11	17	61	59	81	309
Publications (community service publications, newsletters, etc.)	9	20	16	25	33	63	127	249	843
Special Events (seminars, anniversaries, open house, etc.)	23	27	30	42	67	111	147	429	538
Public Relations Consultants Fees	30	105	43	65	71	136	317	265	473
Donations (donation advertising—schools, churches, civic clubs and related publications)	38	27	51	76	112	193	237	845	1159
All Other Public Relations	16	29	39	52	68	122	182	245	337
Sub-Total for Public Relations	**5.0**	**5.5**	**9.1**	**14.7**	**24.0**	**49.2**	**74.4**	**197.0**	**364.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	25	28	50	68	95	222	212	519	2013
Newcomer Services (non-salary only)	17	12	11	11	16	35	36	157	393
Specialities (giveaways, such as calendars, pens, etc.)	17	26	37	63	77	116	178	230	334
Point-of-Sale Materials (displays, banners brochures, etc.)	7	10	14	24	49	112	199	993	1312
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	3	27	19	26	32	178	111	509	3499
All Other Sales Promotion Expenses	8	67	39	51	53	106	269	177	2250
Sub-Total for Sales Promotion	**2.4**	**3.8**	**5.8**	**10.6**	**16.7**	**37.1**	**54.5**	**157.1**	**373.3**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	7	60	24	23	54	61	171	168	691
Non-Salary Internal Expenses (development, printing, classroom, etc.)	14	12	17	23	23	55	42	174	273
All Other Sales Staff/Customer Relations Training	14	15	23	30	28	44	214	188	442
Sub-Total for Staff Sales/Customer Relations Training	**1.5**	**3.2**	**3.2**	**4.5**	**5.7**	**8.4**	**19.7**	**26.9**	**97.8**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	20	49	47	37	48	106	202	461	1173
Non-Salary Internal Expenses	20	10	14	10	18	33	74	132	1012
All Other Marketing Research	30	22	29	47	59	175	95	86	768
Sub-Total for Marketing Research	**2.6**	**4.8**	**4.8**	**3.8**	**5.0**	**12.4**	**22.5**	**51.9**	**185.8**
All Other Marketing Expenses	46	34	46	101	131	271	820	1733	4263
Total Marketing Expenditures	**13.2**	**21.1**	**38.2**	**73.2**	**134.9**	**304.1**	**572.5**	**1589.3**	**3869.1**

TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1983, $000)

Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ 3	$ 5	$ 10	$ 15	$ 25	$ 62	$ 123	$ 473	$ 1176
Directories (telephone, bank, city, etc.)	5	10	10	15	25	48	100	225	250
Newspapers	10	30	50	100	201	380	872	2075	4255
Television	30	12	35	31	106	368	750	3000	4950
Radio	10	25	45	100	150	275	453	1195	2112
Direct Mail (literature, lists, postage, statement stuffers, etc.)	10	10	20	27	50	100	250	837	2640
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	10	20	22	43	80	167	250	509	660
Production Expenses (artwork, talent, etc.)	10	10	20	30	80	218	534	1136	3808
Fees & Commissions (agency, consultants, etc.)	44	24	30	50	91	200	260	627	1068
Other Advertising	20	26	40	39	50	132	139	340	1790
Sub-Total for Advertising	**3.6**	**9.0**	**16.9**	**37.0**	**82.1**	**175.2**	**382.8**	**1140.0**	**2425.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	3	10	10	20	45	123	315	817	1714
Media Relations (press releases, press conferences, etc.)	2	5	6	10	10	10	15	50	200
Publications (community service publications, newsletters, etc.)	10	10	10	15	21	40	62	170	576
Special Events (seminars, anniversaries, open house, etc.)	20	11	20	23	40	50	84	300	250
Public Relations Consultants Fees	30	23	30	49	50	100	110	150	200
Donations (include donation advertising—schools, churches, civic clubs)	16	20	30	55	70	114	114	167	100
All Other Public Relations	10	20	23	40	45	82	84	168	250
Sub-Total for Public Relations	**2.0**	**3.4**	**6.2**	**12.0**	**19.5**	**39.4**	**65.2**	**133.6**	**257.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	16	20	20	30	49	100	165	250	2380
Newcomer Services (non-salary only)	10	10	8	5	10	18	27	160	102
Specialities (giveaways, such as calendars, pens, etc.)	10	20	30	50	55	80	100	140	200
Point-of-Sale Materials (displays, banners, brochures, etc.)	10	10	10	11	30	80	146	489	676
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	3	11	10	10	20	50	50	205	3640
All Other Sales Promotion Expenses	10	10	20	25	26	40	131	121	1099
Sub-Total for Sales Promotion	**1.8**	**2.9**	**4.7**	**8.3**	**12.0**	**25.2**	**47.5**	**105.0**	**232.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	5	20	10	15	25	40	120	150	560
Non-Salary Internal Expenses (development, printing, classroom, etc.)	5	10	10	15	15	20	30	200	140
All Other Sales Staff/Customer Relations Training	5	12	10	20	16	25	150	74	400
Sub-Total for Staff Sales/Customer Relations Training	**1.0**	**1.5**	**1.5**	**2.2**	**3.0**	**4.0**	**18.0**	**20.0**	**70.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	10	20	10	19	21	80	150	284	1120
Non-Salary Internal Expenses	20	10	10	10	10	20	32	50	750
All Other Marketing Research	30	15	5	10	20	50	37	40	248
Sub-Total for Marketing Research	**1.4**	**2.0**	**1.0**	**2.0**	**2.5**	**8.1**	**17.0**	**27.0**	**140.0**
All Other Marketing Expenses	15	10	30	85	79	104	273	968	294
Total Marketing Expenditures	**6.0**	**16.0**	**28.5**	**62.7**	**122.8**	**267.2**	**537.3**	**1368.0**	**3552.6**

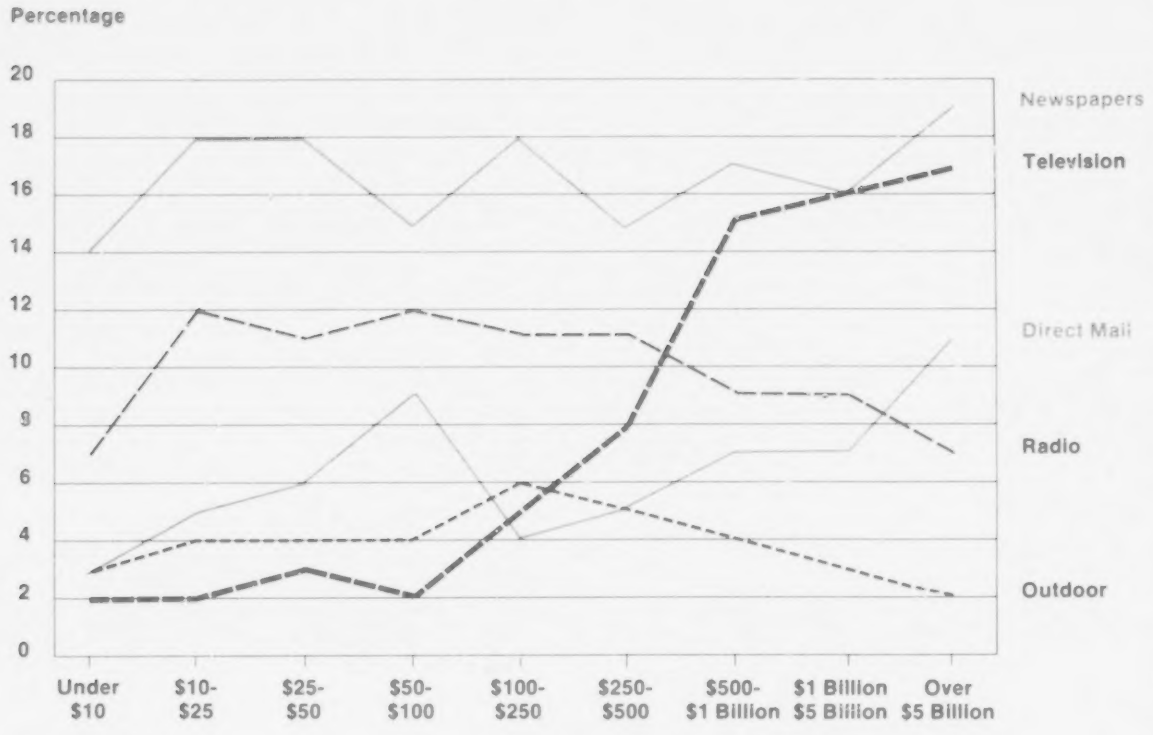
TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1983 BY ASSET SIZE

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	* %	1%	1%	1%	1%	3%	2%	3%	4%
Directories (telephone, bank, city, etc.)	3	3	3	2	2	2	2	2	1
Newspapers	14	18	18	15	18	15	17	15	19
Television	2	2	3	2	5	8	15	16	17
Radio	7	12	11	12	11	11	9	9	7
Direct Mail (literature, lists, postage, statement stuffers, etc.)	3	5	6	9	4	6	7	7	11
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	3	4	4	4	6	5	4	3	2
Production Expenses (artwork, talent, etc.)	5	2	3	5	8	8	11	9	8
Fees & Commissions (agency, consultants, etc.)	2	3	3	5	6	5	5	3	3
Other Advertising	7	5	4	4	3	3	2	4	5
Sub-Total for Advertising	**59**	**57**	**58**	**63**	**67**	**69**	**74**	**74**	**76**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	1	2	2	2	3	4	3	3	3
Media Relations (press releases, press conferences, etc.)	*	*	*	*	*	1	*	*	1
Publications (community service publications, newsletters, etc.)	1	2	1	1	1	1	1	1	1
Special Events (seminars, anniversaries, open house, etc.)	2	5	4	3	3	3	2	2	1
Public Relations Consultants Fees	*	2	*	*	*	*	1	1	1
Donations (include donation advertising—schools, churches, civic clubs)	18	10	11	9	7	5	4	4	2
All Other Public Relations	1	2	3	2	2	2	1	1	*
Sub-Total for Public Relations	**26**	**24**	**23**	**19**	**17**	**16**	**12**	**12**	**9**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	2	1	2	2	2	2	1	1	1
Newcomer Services (non-salary only)	1	*	*	*	*	*	*	*	*
Specialities (giveaways, such as calendars, pens, etc.)	6	7	7	7	5	3	3	1	1
Point-of-Sale Materials (displays, banners, brochures, etc.)	1	1	1	1	2	2	3	5	3
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	*	2	1	1	1	3	1	2	3
All Other Sales Promotion Expenses	*	1	1	1	1	1	1	*	2
Sub-Total for Sales Promotion	**12**	**13**	**13**	**13**	**12**	**11**	**9**	**9**	**10**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	*	3	1	1	1	1	1	*	1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1	1	1	1	1	*	*	*	*
All Other Sales Staff/Customer Relations Training	1	1	1	1	*	*	1	*	*
Sub-Total for Staff Sales/Customer Relations Training	**2**	**4**	**3**	**3**	**2**	**1**	**2**	**1**	**1**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	*	2	1	1	1	2	2	2	3
Non-Salary Internal Expenses	*	*	*	*	*	*	*	*	1
All Other Marketing Research	*	*	*	*	*	*	*	*	*
Sub-Total for Marketing Research	**1**	**2**	**3**	**1**	**2**	**3**	**3**	**3**	**4**
All Other Marketing Expenses	2	1	1	1	2	2	4	2	2
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)



WHERE THE BUDGET IS SPENT

While the data in Table 3 shows what share of the budget is allocated to various expenditures, Table 4 shows the percentage of banks which indicated an expenditure of each type.

Virtually all banks (94% to 100%) showed expenditures for advertising and nearly all (68% to 97%) did for Public Relations.

Within the Advertising budget, the medium the most banks used was newspapers (from 71% to 100%). Directories (such as telephone) were second with 43% to 100%, followed by radio (40% to 100%). Direct mail received expenditures in 34% to 100% of banks, and magazines in 11% to 93%.

Although Sales Promotion received expenditures in most banks (63% to 100%), Staff Sales/Customer Relations Training was lower with 18% to 59% and Marketing Research received 6% to 93%. Of these categories, Marketing Research was the most closely correlated to asset size, with 80% to 93% of the largest banks reporting expenditures on research.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1983 BY ASSET SIZE

Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	11%	19%	20%	25%	40%	67%	68%	91%	93%
Directories (telephone, bank, city, etc.)	43	57	62	76	86	89	86	91	100
Newspapers	71	86	93	92	96	96	95	95	100
Television	6	9	14	21	38	54	77	75	100
Radio	40	65	75	77	86	90	93	91	100
Direct Mail (literature, lists, postage, statement stuffers, etc.)	34	47	63	70	83	87	84	93	100
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	15	22	39	50	69	77	77	70	71
Production Expenses (artwork, talent, etc.)	12	17	34	57	77	88	91	89	93
Fees & Commissions (agency, consultants, etc.)	8	17	28	50	64	71	75	61	50
Other Advertising	28	24	26	26	38	41	39	50	50
Sub-Total for Advertising	**94**	**99**	**99**	**100**	**100**	**100**	**100**	**98**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	18	29	39	57	62	65	66	70	64
Media Relations (press releases, press conferences, etc.)	3	3	9	9	23	39	36	64	79
Publications (community service publications, newsletters, etc.)	11	24	30	43	50	51	43	64	64
Special Events (seminars, anniversaries, open house, etc.)	12	39	56	60	64	69	68	80	57
Public Relations Consultants Fees	2	4	1	4	8	8	9	32	57
Donations (include donation advertising—schools, churches, civic clubs)	62	76	85	83	87	81	86	70	57
All Other Public Relations	11	12	25	29	32	38	43	41	57
Sub-Total for Public Relations	**68**	**89**	**97**	**97**	**98**	**97**	**93**	**93**	**93**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	12	6	14	23	33	24	39	34	21
Newcomer Services (non-salary only)	6	4	13	20	34	29	30	27	36
Specialities (giveaways, such as calendars, pens, etc.)	49	61	74	78	84	80	84	80	71
Point-of-Sale Materials (displays, banners, brochures, etc.)	11	16	30	43	65	66	77	75	79
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	2	15	18	35	37	44	57	50	36
All Other Sales Promotion Expenses	5	3	8	13	14	20	25	25	29
Sub-Total for Sales Promotion	**63**	**73**	**82**	**91**	**94**	**93**	**98**	**93**	**100**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	5	9	21	22	32	31	39	36	36
Non-Salary Internal Expenses (development, printing, classroom, etc.)	9	11	15	23	32	27	30	34	29
All Other Sales Staff/Customer Relations Training	6	7	14	13	18	13	14	20	21
Sub-Total for Staff Sales/Customer Relations Training	**18**	**27**	**41**	**46**	**59**	**47**	**55**	**59**	**43**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	3	7	12	19	31	54	66	68	86
Non-Salary Internal Expenses	2	1	8	6	18	17	36	43	43
All Other Marketing Research	2	2	3	5	7	8	18	16	21
Sub-Total for Marketing Research	**6**	**9**	**20**	**28**	**47**	**63**	**80**	**86**	**93**
All Other Marketing Expenses	6	6	6	8	19	19	30	20	14
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGET BY MARKET SIZE AND TYPE

The respondent banks' marketing budgets are related to their market size and type in Tables 5 through 7. While Table 5 shows the detail of the budget over four population ranges, Tables 6 and 7 show the total of the budget over all asset and population ranges, and all market types.

When using Tables 6 and 7, be aware of the smaller samples in a few of the categories and the effect of projecting the data to other environments. Among the respondents, about 65% were located in markets of 100,000 persons or less, 23% in markets of 100,000 to 500,000; 5% were in markets from 500,000 to 1 million, and 7% were in markets of 1 million or more.

Tables 6 and 7 also have additional data this year. They include the 'minimum and maximum' expenditures reported along with the median and average. These values, which represent the highest and lowest expenditures in various categories, show you the range of respondents' budgets to help you place your own in perspective.

The information here can readily be compared to your own bank's environment. For example, you can use Table 5 to find the average expenditures for any of the more than 30 different categories based on your market's population. You can use Tables 6 and 7 to determine typical overall budgets, narrowing the total down to the size of your bank, and size and type of your market.

As demonstrated in these tables, market size has a significant influence on marketing expenditures. For example, in Table 6, a bank of $200 million spends, on average, about $117,100 in a market of under 100,000 persons. In a market up to 500,000 persons, the expenditure increases to $145,700; in a market up to 1 million persons it increases to $206,400, and in a market of more than one million, the average expenditure increases to $201,000.

Although these tables are useful for comparison purposes, they should not be considered absolutes. Your marketing plan, as mentioned earlier in the "Budgeting for Bank Marketing" section should take into consideration the factors of your marketplace such as size, available media, and competitors.

Even banks in smaller asset categories have been able to compete very effectively with the largest institutions by seeking out opportunities in a special niche . . . such as serving smaller businesses, professional firms, or others, rather than confronting the market at large with a smaller budget.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1983, $000)

Expenditure Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.7	$ 8.3	$ 27.7	$ 65.4
Directories (telephone, bank, city, etc.)	2.2	5.4	12.7	21.6
Newspapers	10.6	36.8	108.5	266.8
Television	9.4	39.9	110.3	421.4
Radio	9.7	24.7	55.8	162.0
Direct Mail (literature, lists, postage, statement stuffers, etc.)	3.6	12.6	51.9	141.9
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	6.3	16.2	33.7	60.0
Production Expenses (artwork, talent, etc.)	7.5	23.5	69.0	130.4
Fees & Commissions (agency, consultants, etc.)	8.1	16.1	28.8	76.9
Other Advertising	7.3	16.4	48.9	170.6
Sub-Total for Advertising	**35.3**	**139.9**	**426.4**	**1081.9**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report meetings, etc.)	3.5	10.2	38.2	64.1
Media Relations (press releases, press conferences, etc.)	1.1	4.1	4.8	14.4
Publications (community service publications, newsletters, etc.)	2.5	4.2	12.6	34.0
Special Events (seminars, anniversaries, open house, etc.)	3.5	9.3	18.6	33.8
Public Relations Consultants Fees	5.5	12.4	21.4	33.5
Donations (include donation advertising—schools, churches, civic clubs)	6.6	13.8	37.5	51.0
All Other Public Relations	5.3	8.3	26.6	20.1
Sub-Total for Public Relations	**12.4**	**32.3**	**97.2**	**145.7**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	5.9	11.5	28.6	60.2
Newcomer Services (non-salary only)	1.6	2.4	3.2	26.0
Specialities (giveaways, such as calendars, pens, etc.)	5.2	8.9	14.8	20.3
Point-of-Sale Materials (displays, banners, brochures, etc.)	2.6	7.6	23.9	71.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	2.5	8.3	10.9	83.2
All Other Sales Promotion Expenses	4.9	10.3	10.2	91.1
Sub-Total for Sales Promotion	**8.7**	**23.2**	**55.7**	**147.2**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	2.9	7.0	11.1	21.2
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2.0	3.2	2.8	16.3
All Other Sales Staff/Customer Relations Training	2.4	3.8	7.2	27.8
Sub-Total for Staff Sales/Customer Relations Training	**3.5**	**7.9**	**11.2**	**30.6**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	3.9	10.6	21.1	51.6
Non-Salary Internal Expenses	1.4	3.3	7.5	37.1
All Other Marketing Research	3.9	13.4	10.5	24.5
Sub-Total for Marketing Research	**4.1**	**11.4**	**22.3**	**67.3**
All Other Marketing Expenses	11.7	24.5	105.3	127.9
Total Marketing Expenditures	**56.1**	**202.5**	**593.8**	**1422.5**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1983, $000)

Population Size	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	62	149	197	153	134	18	d		
Average Expenditure	**$ 13.1**	**$ 18.9**	**$ 34.4**	**$ 64.9**	**$117.1**	**$207.7**			
Minimum Expenditure	2	3	4.6	7.2	17.7	74.0			
Maximum Expenditure	142.0	101.1	197.0	213.0	420.5	336.6			
Median Expenditure	**5.0**	**14.5**	**28.0**	**60.7**	**102.5**	**221.0**			
100,000 - 500,000									
Number of Reporting Banks	2	8	17	39	100	61	24	2	
Average Expenditure	**17.8**	**26.4**	**77.7**	**76.1**	**145.7**	**303.0**	**501.8**	**794.6**	
Minimum Expenditure	12.0	6.9	9.3	12.7	29.0	68.5	211.2	710.5	
Maximum Expenditure	23.5	56.0	240.0	338.2	386.5	1120.0	860.0	878.7	
Median Expenditure	**12.0**	**22.0**	**61.0**	**58.6**	**136.6**	**282.4**	**455.0**	**710.5**	
500,000 - 1 Million									
Number of Reporting Banks		d	2	2	12	15	8	11	
Average Expenditure			**33.8**	**114.1**	**206.4**	**408.4**	**655.7**	**1450.8**	
Minimum Expenditure			18.9	109.0	68.0	144.0	351.7	681.0	
Maximum Expenditure			48.6	119.2	596.4	784.6	1183.0	3070.0	
Median Expenditure			**18.9**	**109.0**	**161.7**	**440.0**	**597.4**	**1161.0**	
1 Million or More									
Number of Reporting Banks	d	d	4	4	8	15	8	27	14
Average Expenditure			**62.7**	**70.1**	**201.0**	**306.9**	**806.3**	**1818.9**	**3869.1**
Minimum Expenditure			8.2	64.0	31.0	121.5	406.7	171.4	431.7
Maximum Expenditure			218.0	81.0	339.3	813.0	1265.0	3135.2	6392.0
Median Expenditure			**12.0**	**67.0**	**215.0**	**264.4**	**665.8**	**1867.0**	**3552.6**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1983, $000)

Population Size	Market Type					
	State-wide	Urban SMSA	Suburban SMSA	Urban Not SMSA	Suburban Not SMSA	Rural
Under 100,000						
Number of Reporting Banks	3	43	81	76	58	430
Average Expenditure	**$182.5**	**$102.9**	**$ 71.0**	**$ 88.4**	**$ 71.8**	**$ 39.2**
Minimum Expenditure	11.0	5.1	6.8	6.0	1.4	2
Maximum Expenditure	296.0	420.5	259.0	316.0	336.6	335.0
Median Expenditure	**240.5**	**91.5**	**56.1**	**67.1**	**57.0**	**25.5**
100,000 - 500,000						
Number of Reporting Banks	4	80	91	30	18	15
Average Expenditure	**219.4**	**225.8**	**191.4**	**164.2**	**122.1**	**173.6**
Minimum Expenditure	67.0	21.0	9.3	22.0	25.0	6.9
Maximum Expenditure	412.0	878.7	1120.0	595.0	195.8	386.5
Median Expenditure	**121.7**	**168.5**	**128.3**	**124.0**	**112.0**	**154.1**
500,000 - 1 Million						
Number of Reporting Banks	12	17	16	3	d	d
Average Expenditure	**857.8**	**718.2**	**326.6**	**270.8**		
Minimum Expenditure	178.2	18.9	48.6	161.7		
Maximum Expenditure	2680.4	3070.0	1161.0	459.5		
Median Expenditure	**627.0**	**551.2**	**171.8**	**191.2**		
1 Million or More						
Number of Reporting Banks	25	36	12	d	2	
Average Expenditure	**2280.6**	**1334.0**	**554.0**		**616.8**	
Minimum Expenditure	234.8	12.0	10.1		142.2	
Maximum Expenditure	6392.0	6074.7	3313.0		1091.4	
Median Expenditure	**2487.0**	**665.8**	**171.4**		**142.2**	

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

To determine which areas banks were emphasizing in their budgets, survey respondents were asked to allocate their marketing budget by percentage over four areas:

A) Retail (to individuals)
B) Commercial/Corporate (to businesses)
C) Trust
D) Institutional

The results, shown in Table 8, indicate that Retail services still account for the majority (about 60%) of expenditures. Commercial/corporate takes a wide range, depending on asset size, of from 11% to more than 20%. In banks over $1 billion, Trust marketing is taking an increasingly larger share (7% to 8% in 1983 versus only 4.6% to 6.9% in 1982).

Institutional advertising also accounted for a larger share of the total budget in 1983 than it did in 1982. This could be related to the larger number of mergers and resulting identity campaigns.

As shown by Table 11, actual average expenditures for Retail services varied from $10,400 to more than $2,651,000, depending on asset size. Commercial/corporate ranged from $5,000 to $430,800, and Institutional marketing ranged from $6,400 to $651,100.

In general, median expenditures were somewhat lower and are shown in Table 12.

Several observations can be made from the data regarding allocations: The percentage of budget spent on Commercial/corporate generally decreases with larger asset sizes. The amount for Trust marketing increases with bank size to a maximum of 8.4% of the total (in banks from $1 billion to $5 billion). Those same institutions accounted for the largest share of trust marketing in the 1982 survey.

As shown in Table 9, nearly all institutions reported expenditures for Retail services in 1983. The percentage reporting expenditures on Commercial/corporate increases with asset size, up to 92% for the largest bank. Only 9% to 39% of the community banks market Trust services while 56% to 85% of the larger banks do.

Institutional advertising also increases with asset size but also reveals a higher concentration in the middle asset ranges, reaching 90% in the $250 million to $500 million banks.

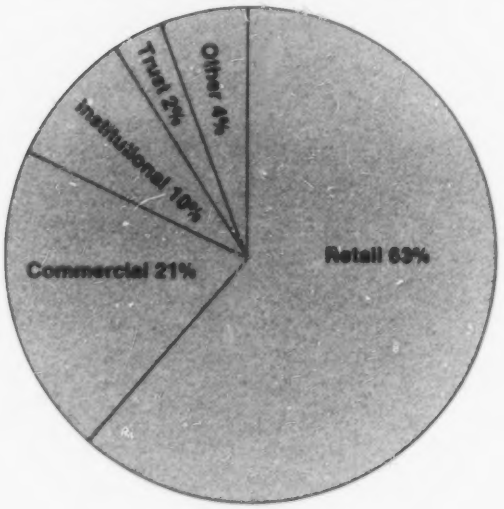
TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE BY ASSET SIZE

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	63.3%	69.5%	63.4%	57.1%	54.8%	56.2%	62.6%	57.3%	67.5%
Commercial/Corporate (business)	13.8	20.7	23.5	23.4	19.5	17.4	15.4	14.6	11.2
Trust	1.5	1.4	1.5	3.9	5.3	4.8	4.7	8.4	7.4
Institutional	10.9	6.7	8.9	13.8	17.6	18.8	14.5	17.9	12.3
Other	10.5	1.8	2.7	1.8	2.8	2.8	2.8	1.8	2.4
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Banks under $100 million



Banks over $100 million

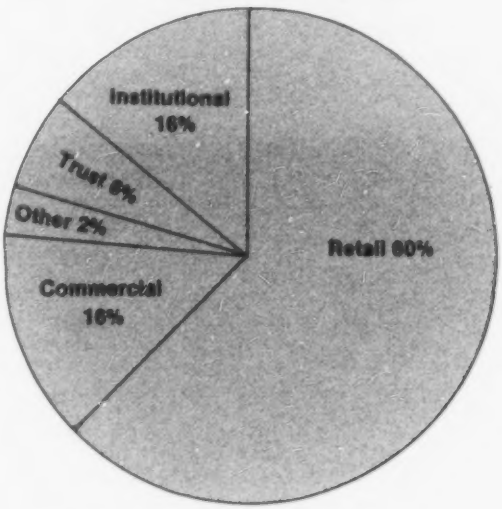


TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE BY ASSET SIZE

Service Type	Asset Size in Millions - 1983								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	89%	98%	96%	98%	98%	98%	100%	95%	100%
Commercial/Corporate (business)	57	79	86	89	87	87	83	92	92
Trust	9	9	17	39	56	58	73	77	85
Institutional	30	32	40	61	79	90	80	77	77
Other	20	8	11	9	23	18	22	28	31
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1983, $000)

Service Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$35.0	$114.5	$366.8	$929.8
Commercial/Corporate (business)	13.6	46.7	88.4	220.0
Trust	9.6	19.5	63.5	159.3
Institutional	17.1	48.3	157.5	253.8
Other	11.9	25.2	59.1	142.7

TABLE 11
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1983, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$10.4	$14.7	$24.9	$45.3	$74.9	$166.9	$376.6	$1033.7	$2651.0
Commercial/Corporate (business)	5.0	7.4	11.6	17.9	31.6	68.7	108.1	250.0	430.8
Trust	5.6	18.3	4.9	7.1	12.5	24.2	37.4	135.4	298.2
Institutional	6.4	5.2	10.1	15.8	33.2	61.1	99.8	371.9	651.1
Other	4.9	3.4	8.0	15.1	16.1	45.2	76.2	99.1	250.7

TABLE 12
MEDIAN MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1983, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$5.0	$11.2	$18.8	$30.9	$65.4	$146.5	$307.6	$986.1	$3019.7
Commercial/Corporate (business)	2.0	4.5	6.6	14.0	21.6	33.7	66.3	186.7	319.8
Trust	5.1	1.7	1.9	5.2	8.4	14.4	29.6	68.1	257.6
Institutional	5.8	2.2	5.8	9.9	22.3	47.5	73.0	186.7	500.0
Other	3.5	1.6	4.0	4.4	11.3	23.1	40.7	53.6	73.6

USE AND COMPENSATION OF ADVERTISING AGENCIES

This section of the report deals with the methods banks primarily use for creating their advertising and how they pay for it.

One addition has been made to the data this year. Last year's category of "Bank staff or holding company staff" has been split into two individual categories to provide the reader with more useful information.

Advertising agency usage correlates directly with bank asset size. For example, as shown in Table 13, in banks under $10 million only 14% use an agency, while in banks over $1 billion 89% to 100% use an agency.

Conversely, community banks rely on bank staff in 52% to 74% of the cases, while in banks over $1 billion only 7% use bank staff, and in banks over $5 billion none reported the bank staff was the primary source for advertising.

Usage of Holding Companies

In general, holding companies were not cited often as a primary source of advertising. The figures ranged from 2% up to 7% for larger banks. And, among respondents checking "other" methods for preparing advertising, highest in the community bank ranges, most indicated they rely on one or more free-lance arrangements or on media representatives.

Tables 14 and 15 show the source of advertising by type of market and population of market. They indicate heaviest usage of bank staff in rural markets and highest usage of both agencies (74%) and holding companies (9%) in statewide markets.

Agency Compensation

Banks which indicated on the survey that they used an agency as their primary source of advertising also were asked how the agency was compensated.

Table 16 shows that a fee basis is the most common type of compensation in community banks but that only 23% of the largest banks use it.

Less than 10% of community banks use media commissions as compensation while more than 54% of larger banks do.

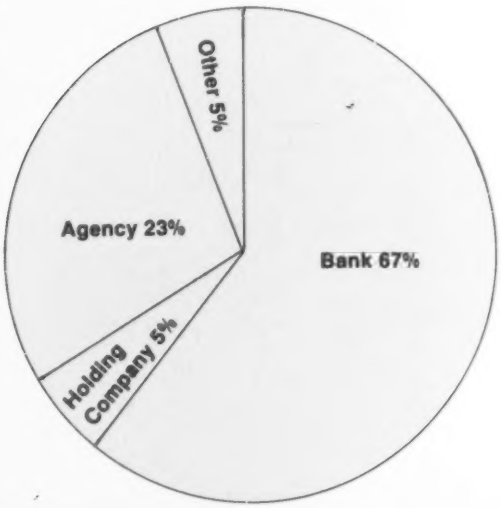
An arrangement of both fees and commissions is common in many banks, especially those in the middle asset ranges. In smaller banks, media commissions probably are not sufficient to compensate agencies so the bank relies on a fee arrangement. At the same time, a flat commission on a very large media budget in larger banks could overcompensate an agency and it might be fairer to both parties to develop a combination of fees and commissions.

For further information on actual average or median dollar amounts paid to agencies, see the data in Tables 1 and 2.

SOURCE FOR CREATING ADVERTISING

(data compiled from Table 13)

Banks under $100 million



Banks over $100 million

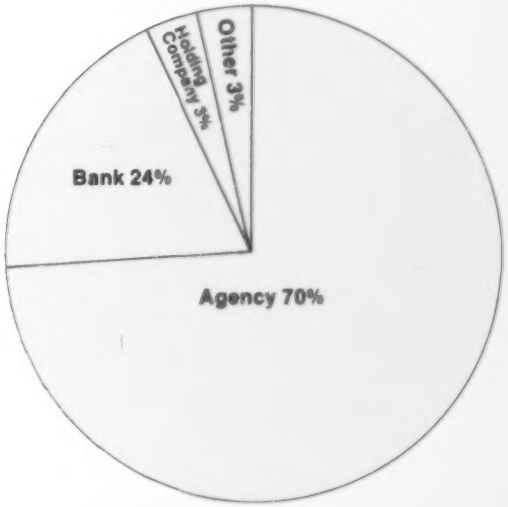


TABLE 13
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1983
(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
Primary Source	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	74%	69%	71%	52%	36%	12%	14%	7%	
Used Holding Company Staff	2	8	5	6	3	2	7		
Used Outside Agency	14	19	20	39	58	83	77	89	100%
Other	11	4	4	2	3	4	2	5	
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

TABLE 14
PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

Population Size	Used Bank Staff	Used Holding Company Staff	Used Outside Agency	Other
Under 100,000	62%	5%	30%	3%
100,000 But Less Than 500,000	30	5	61	4
500,000 But Less Than One Million	10	4	76	10
One Million or More	16	2	80	2

TABLE 15
PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

Market Type	Used Bank Staff	Used Holding Company Staff	Used Outside Agency	Other
Statewide	9%	9%	74%	8%
SMSA - Urban	27	3	67	3
SMSA - Suburban	35	7	53	5
Urban But Not SMSA	47	6	43	4
Suburban But Not SMSA	51	2	43	4
Rural (none of the above)	68	3	26	3

TABLE 16
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1983
(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
Compensation Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fee Basis	71%	83%	62%	71%	53%	41%	24%	28%	23%
Media Commissions		7	5	3	7	12	9	23	54%
Both	29	10	33	27	41	47	67	49	23

TABLE 17
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1982/1983 BY ASSET SIZE
(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1983 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	65	161	226	204	268	112	44	44	14
Average Expenditure	**$ 13.2**	**$ 21.1**	**$ 38.2**	**$ 73.2**	**$134.9**	**$304.1**	**$572.5**	**$1589.3**	**$3869.1**
Minimum Expenditure	2	3	4.6	7.2	17.7	68.5	92.4	160.6	431.7
Maximum Expenditure	142.0	178.2	240.0	1125.0	596.4	1120.0	1265.0	3135.2	6392.0
Median Expenditure	**6.0**	**16.0**	**28.5**	**62.7**	**122.8**	**267.2**	**537.3**	**1368.0**	**3552.6**
1982 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	44	117	166	166	230	94	40	33	9
Average Expenditure	**$ 15.4**	**$ 18.2**	**$ 33.8**	**$ 63.4**	**$131.7**	**$281.9**	**$578.2**	**$1380.9**	**$2977.1**
Minimum Expenditure	2	5	2.9	1.0	6.0	50.0	250.0	171.4	1650.0
Maximum Expenditure	127.5	115.0	175.0	800.0	841.0	683.0	1265.0	6000.0	4500.0
Median Expenditure	**6.0**	**15.0**	**28.0**	**55.6**	**116.2**	**259.2**	**526.0**	**1400.0**	**3000.0**

A summary of total marketing expenditures for both 1982 and 1983 is shown in Table 17. In each table, both the average and median budgets are indicated along with the number of responding banks in each asset category. In this year's report, the data has been expanded to include the 'minimum and maximum' expenditures for both years to help the reader see the range of expenditures.

The budgets for 1983 showed increases over 1982 in nearly all categories.

While it would be possible to make estimates from this data on what the banking industry at large spends on marketing, there are a number of limiting biases. The number of banks in each asset range changes each year. Further, responding banks, as mentioned earlier, may not make expenditures typical of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine asset ranges.

Part I. U.S. BANK MARKETING EXPENDITURES (excluding salaries)
Please allocate your 1983 non-salary marketing expenditures as best you can among the following:

INSTRUCTIONS FOR COMPLETING FORM

- Enter data in thousands (Ex: $74,500 = 74.5) (Ex: $7,400,000 = 7,400)
- Please try to indicate an amount (if any) for each of the A through E bold subdivisions, even if you don't have data for all the items within that category.
- If your bank is part of a holding company, please report only your bank's figures.
- If you have questions, call Jeanne Devine at BMA, 312/782-1442.

(In $000)

A. ADVERTISING

1. Magazines (consumer, trade, etc.) ..... $ _____
2. Directories (telephone, bank, city, etc.) .....
3. Newspapers .....
4. Television .....
5. Radio .....
6. Direct Mail (literature, lists, postage, statement stuffers, etc.) .....
7. Outdoor and transit (billboards, taxi, bus, train cards, etc.) .....
8. Production expenses (artwork, talent, printing, filming, etc.) .....
9. Fees and commissions (advertising agency, media representative, advertising/marketing consultants, etc.) .....
10. All other advertising (please describe) _____

A) Sub-Total for Advertising ..... $ _____

B. PUBLIC RELATIONS

1. Stockholder/investment community (annual report, meetings, etc.) .....
2. Media relations (press releases, press conferences etc.) .....
3. Publications (community service publications, newsletters, etc.) .....
4. Special events (seminars, anniversaries, open house, etc.) .....
5. Public relations consultants fees .....
6. Donations (include donation advertising — schools, churches, civic clubs & related publications) .....
7. All other public relations (please describe) _____

B) Sub-Total for Public Relations _____ $ _____

C. SALES PROMOTION

1. Net premium expense (cost of premiums less revenues from premium sales) .....
2. Newcomer services (non-salary only) .....
3. Specialties (giveaways such as calendars, pens, etc.) .....
4. Point-of-sale materials (displays, banners, brochures, etc.) .....
5. Employee incentives (non-salary expenses directly related to employee sales/customer relations efforts) .....
6. All other sales promotion expenses (please describe) _____

C) Sub-Total for Sales Promotion ..... $ _____

D. STAFF SALES/CUSTOMER RELATIONS TRAINING

1. External expenses (consultant fees, materials, facilities, etc.) .....
2. Non-salary internal expenses (development, printing, classroom, etc.) .....
3. All other staff sales/customer relations training (please describe) _____

D) Sub-Total for Staff Sales/Customer Relations Training $ _____

E. MARKETING RESEARCH

1. External expenses (supplier expenses such as consultants, field firms, data processing firms, etc.) .....
2. Non-salary internal expenses .....
3. All other marketing research (please describe) _____

E) Sub-Total for Marketing Research ..... $ _____

F. ALL OTHER NON-SALARY MARKETING EXPENSES NOT ACCOUNTED FOR IN A—E ABOVE (use a zero if none) _____ $ _____

Total 1983 Non-Salary Marketing Expenditures (Sum of A--F above) ..... $ _____

Part II. SERVICE ALLOCATION OF 1983 NON-SALARY MARKETING EXPENDITURES
Please indicate the approximate percentage amount of your total marketing budget allocated to each of these five categories:

_____% Retail (Individuals)
_____% Commercial/corporate (Business)
_____% Trust
_____% Institutional
_____% Other (Specify _____)
100 % **Total**

Part III. GENERAL INFORMATION (Place a single check under each question)

A. What were your bank's total assets as of December 31, 1983?

- ☐ Under $10 million
- ☐ $10 million but less than $25 million
- ☐ $25 million but less than $50 million
- ☐ $50 million but less than $100 million
- ☐ $100 million but less than $250 million
- ☐ $250 million but less than $500 million
- ☐ $500 million but less than $1 billion
- ☐ $1 billion but less than $5 billion
- ☐ $5 billion or more

B. Was your bank part of a holding company in 1983?

- ☐ No
- ☐ Yes
- ☐ Yes

C. For retail business, what best describes the kind of market in which your bank competes? (check appropriate response; note: SMSA is Standard Metropolitan Statistical Area)

- ☐ Statewide
- ☐ SMSA — Urban
- ☐ SMSA — Suburban
- ☐ Urban but not SMSA
- ☐ Suburban but not SMSA
- ☐ Rural (none of the above)

D. What is the approximate population of the retail trade area checked in E above? (check appropriate category)

- ☐ Under 100,000
- ☐ 100,000 but less than 500,000
- ☐ 500,000 but less than one million
- ☐ One million or more

E. Please indicate the approximate Total 1982 Non-Salary Marketing Expenditures for your bank:

$_____ = 1982 (in $000)

Part IV. AGENCY COMPENSATION

A. Which one of the following was the bank's primary source for creating advertising during 1983?.

- ☐ Used bank staff
- ☐ Used holding company staff
- ☐ Used outside agency
- ☐ Other (specify) _____

B. (Answer only if you indicated use of an outside agency above) Please indicate how your agency was compensated for services in 1983.

- ☐ Fee basis (retainer, project, hourly, etc.)
- ☐ Media Commissions
- ☐ Both

BANK MARKETING ASSOCIATION

1984 ADVERTISING COUNCIL MEMBERS

CHAIRMAN:
Philemon N. Hoadley
Vice President-Advertising
& Marketing Services
Citibank, N.A.
New York, NY

Virginia M. Grose
Vice President; Marketing
Administration
South Carolina National Bank
Columbia, SC

Robert D. Johnson
Vice President
First Interstate Bank of California
Los Angeles, CA

Elizabeth A. McMahon
Executive Vice President
H.H.M. Associates
Minneapolis, MN

Daniel J. Rogers
Assistant Vice President
Comerica, Inc.
Detroit, MI

Barbara Stoldt
Account Executive
Leo Burnett Company
Chicago, IL

Jeffrey M. Westergren
Vice President
& Manager of Marketing
Equibank
Pittsburgh, PA

IMMEDIATE PAST CHAIRMAN:
Barney L. Lehmbeck
Director of Marketing
First National Bank & Trust Company
Oklahoma City, OK

BMA STAFF LIAISON

Michael J. Warner
Vice President

Jeanne T. Devine
Associate Director
Advertising Department

BANK MARKETING ASSOCIATION
309 WEST WASHINGTON STREET CHICAGO, ILL. 60606

BANK MARKETING ASSOCIATION

309 WEST WASHINGTON STREET, CHICAGO, ILL. 60606